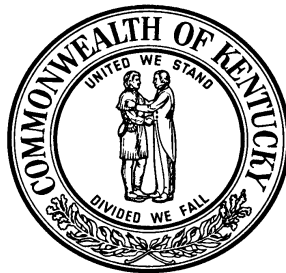


**REPORT OF THE AUDIT OF THE
WOODFORD COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-3094**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOODFORD COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Woodford County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees were \$580,933 for the year ended December 31, 2009.

Report Comments:

- 2009-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement
- 2009-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Judie Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Woodford County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated on August 3, 2010 our consideration of the Woodford County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Judie Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

2009-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement
2009-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Woodford County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

August 3, 2010

WOODFORD COUNTY
JUDIE WOOLUMS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Fees For Services	\$	10,033
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Fiscal Court		81,815
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	760,473
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Usage Tax		1,761,755
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Tangible Personal Property Tax		1,964,095
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Other-

Fish and Game Licenses		7,195
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Marriage Licenses		5,396
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Deed Transfer Tax		88,429
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Delinquent Tax	649,450	5,236,793
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		6,842
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Real Estate Mortgages		17,140
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Chattel Mortgages and Financing Statements		40,587
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Powers of Attorney		1,496
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All Other Recordings		125,398
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Charges for Other Services-

Copywork	11,103	202,566
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Other:

Miscellaneous		3,243
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Interest Earned		208
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Total Revenues		5,534,658
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The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY
 JUDIE WOOLUMS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	535,771	
Usage Tax		1,711,055	
Tangible Personal Property Tax		772,707	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		7,151	
Delinquent Tax		72,261	
Legal Process Tax		17,828	\$ 3,116,773

Payments to Fiscal Court:

Tangible Personal Property Tax	142,468	
Delinquent Tax	41,346	
Deed Transfer Tax	86,237	
Affordable Housing	21,590	291,641

Payments to Other Districts:

Tangible Personal Property Tax	969,606	
Delinquent Tax	348,869	1,318,475

Payments to Sheriff 52,903

Payments to County Attorney 84,188

Operating Expenditures:

Other Charges-

Miscellaneous	65	
Refunds	11,992	12,057

Total Expenditures \$ 4,876,037

The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY
JUDIE WOOLUMS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Net Revenues	\$ 658,621
Less: Statutory Maximum	<u>74,088</u>
Excess Fees	584,533
Less: Expense Allowance	<u>3,600</u>
Excess Fees Due County for 2009	580,933
Payments to Fiscal Court - Monthly	<u>590,456</u>
Balance Due From Fiscal Court *	<u><u>\$ (9,523)</u></u>

* This overpayment was used as a credit for the January 2010 excess fee payment. Therefore, no funds are due back from Fiscal Court.

The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Woodford County Clerk was required by the Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 3. Deposits

The Woodford County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Woodford County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Judie Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Woodford County Clerk for the year ended December 31, 2009, and have issued our report thereon dated August 3, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Woodford County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2009-2 to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Woodford County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2009-1.

The Woodford County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Woodford County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 3, 2010

COMMENTS AND RECOMMENDATIONS

WOODFORD COUNTY
JUDIE WOOLUMS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS:

2009-1 The County Clerk Failed To Provide A Complete And Accurate Financial Statement

The 4th Quarter Report provided to the auditor was not complete and accurate. The following posting errors were noted:

- Receipts were understated by \$14,161 due to state and county payments not being posted.
- Motor Vehicle Usage tax disbursements were understated by \$1,711,055 due to not being posted.
- Motor Vehicle License and Transfers were understated by \$535,771 due to not being posted.
- Refunds of \$11,992 and Fish & Game License disbursements of \$7,151 were not posted.

These posting errors were mainly due to the County Clerk utilizing two sets of checks, one manual set (maintained by the Clerk) used for usage, license and excess fee payments and a computerized set (maintained by a deputy clerk) used for all other disbursements. The manual checks were not posted to the disbursements ledger or quarterly report, requiring a material audit adjustment. KRS 68.210 requires the official to have accurate recording of receipts and expenditures. Because the Clerk failed to accurately record receipts and disbursements, the 4th quarter report submitted to the Department for Local Government was materially misstated. Auditors had to spend additional time recapping receipts and checks to determine accurate amounts for the financial statement.

In order to improve financial statement preparation, we recommend the County Clerk discontinue the use of two sets of disbursement checks. We also recommend the Clerk ensure all receipts and disbursements are posted to the ledgers in order to produce an accurate 4th quarter report as required by KRS 68.210.

County Clerk's Response: As of May 2010 using only one set of checks.

WOODFORD COUNTY
JUDIE WOOLUMS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESS: (Continued)

2009-2 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Cash Receipts

The County Clerk's Office lacks adequate segregation of duties over cash receipts. All employees are in the position to collect money throughout the day, including those with bookkeeping functions, resulting in no segregation between the collection, recording and reconciliation of receipts. In order to improve internal controls over receipts, we recommend that duties be segregated as much as possible and compensating controls should be implemented (examples follow) to help offset the lack of segregation of duties.

- The County Clerk should periodically recount all receipts and agree this back to the daily checkout sheet and bank deposit. The County Clerk should initial both the daily checkout sheet and deposit to show agreement.
- The County Clerk should periodically agree the daily checkout sheet to the receipts ledger to ensure accuracy. The County Clerk should initial both the daily checkout sheet and the receipts ledger to show agreement.
- The County Clerk should compare the receipts ledger to the 4th Quarter Report to ensure accuracy. The County Clerk should initial the 4th Quarter Report and receipts ledger to document comparison.

County Clerk's Response: Working on this. All deputies have to balance with the daily work and have to agree when they reconcile their cash drawers at the end of the day.

